E CONF SERIES

International Conference on Economics, Finance, Banking and Management
Hosted online from Paris, France
Website: econfseries.com 24th May, 2025

EFFICIENT COST MANAGEMENT IN A CONSTRUCTION ORGANIZATION

Djabriyev Akbarali Normurodovich,
Doctor of Economics, Professor
Professor of the Department of "Economics and Real Estate"
Tashkent Institute of Architecture and Construction Uzbekistan, Tashkent

Tursunzoda Jasmina Imomnazar kizi
Master's student of the Department of "Economics and Real Estate"
Tashkent Institute of Architecture and Construction
Uzbekistan, Tashkent

Abstract

This article is devoted to the analysis of effective cost management in the activities of a joint-stock company in the construction sector. Cost management involves the effective implementation of strategy, as well as ensuring resource availability and technological discipline to achieve the highest possible levels of quality, reliability, and performance at minimal total costs.

To compete effectively, secure resources for growth and innovation, and generate profit, enterprises need to achieve the best possible return on every dollar spent.

When combined with appropriate software and digital technologies, strategies aimed at economic efficiency can help companies make more strategic decisions, foster innovation, turn procurement into a value-creating center, and reduce operating costs while enhancing operational efficiency and profitability.

Keywords: economic entity; cost management; profit maximization; efficiency improvement; economic sustainability; public-private partnership; innovation sphere.

Introduction

At present, the topic of effective cost management in the operations of joint-stock companies in the construction sector remains highly relevant, as it is a key element

in the success of any organization in this field. It enables construction companies to achieve maximum profitability with minimal expenditures.

The construction sector in Uzbekistan is a vital branch of the national economy and an integral part of improving the country's overall well-being. Therefore, large-scale measures are being taken to support its development. The reforms currently underway in the industry — including shifts in focus, the introduction of new technologies, and efforts to improve the quality of construction output — are aimed at enhancing the overall efficiency of the sector. Today, addressing the challenges of cost-effective management in construction companies requires scientific research across a wide range of aspects.

Effective cost management also involves budget control and financial strategy development, which can help optimize spending and increase profits. For instance, investing in new technologies can reduce production costs, leading to improved profitability.

Proper cost management can significantly increase a company’s profitability and secure its success in the market. It is a key element in gaining competitive advantage and meeting customer demands. Furthermore, it contributes to enhanced efficiency and productivity, while also improving the organization's financial standing.

It is important to emphasize that cost management is a continuous process that must be maintained throughout the organization’s lifecycle. Companies should regularly assess their expenses and search for new ways to reduce costs and improve profitability.

Methods and Research

In the preparation of this scientific publication, the authors employed the following methods: comparative analysis, as well as the analysis and synthesis of scientific studies and academic articles.

To achieve the stated objective, the study set out the following tasks: to examine the main factors influencing cost formation; to identify methods for cost minimization; and to analyze the principles of effective cost management.

There are various methods of cost management that organizations can apply. One such method is cost analysis for each product or service offered by the organization. This can help determine which products or services generate the highest profits and focus efforts on their development.

Another method involves reducing the costs of materials and resources used by the organization. This can be achieved through the adoption of more efficient technologies and processes, revisiting supply chains, and using cheaper alternative resources.

A third method is reducing personnel expenses. Organizations may employ automated processes or outsource certain functions to cut staffing costs. This can lower salary expenditures and employment-related taxes, while also reducing the risks associated with human error.

A fourth approach is resource optimization. Companies can utilize tools and technologies that enable more efficient use of resources such as energy, water, and other inputs. This helps reduce associated costs and improve overall efficiency [2].

This research is based on theoretical and methodological frameworks developed by national scholars. The development of the construction sector in the Republic of Uzbekistan and the challenges of effective cost management are reflected in the works of local researchers such as S.S. Gulyamov, N.M. Makhmudov, A.N. Djabriyev, Sh.N. Zainutdinov, M.K. Ziyaev, E.B. Iskandarov, R.I. Nurimbetov, B.D. Kalmetov, V.A. Kazimov, and others [3].

Currently, in our country, the development and adoption of innovative cost management methods and related scientific research have not yet achieved wide dissemination. At the same time, studies focused on stimulating innovation in the construction sector—approached as an independent research subject within a systemic framework—remain insufficiently explored.

Analysis and Results

In recent years, Uzbekistan's construction sector has demonstrated steady growth, driven by government investment programs and the active attraction of foreign capital.

From 2021 to 2025, the volume of construction work in Uzbekistan increased significantly. In 2021, the total volume amounted to USD 9.9 billion, marking a major leap forward after the challenging year of 2020. By 2022, this volume had doubled to USD 21 billion. In 2023, the construction volume reached 80 trillion UZS, setting a new record for the industry. Continued growth is expected in 2025, supported by new investment projects and development programs.

Over the past seven years, USD 9 billion has been invested in the building materials sector, nearly 5,000 new enterprises have been launched, and 94,000 permanent jobs have been created. Production has doubled, and the number of enterprises with annual revenues exceeding 100 billion UZS has surpassed 150. Thanks to the introduction of new products worth USD 650 million, the share of imports in construction has decreased from 31% to 25%.

The growth rates of construction activity show a positive trend, despite occasional fluctuations. In 2021, the growth rate was 8.57%; in 2022 — 23.1%. Although growth slowed somewhat in 2023, it remained at a high level. In 2025, it is expected to remain above 10%, driven by new projects and increased investment. Uzbekistan's export market for construction materials has expanded to 58 countries, and export volume is planned to reach USD 1 billion this year.

Standard costs are a core component of most business decision-making processes — from budgeting, pricing, and variance reporting to strategic planning and performance-based incentives. Such data significantly influence product development and overall business success.

Moreover, the accuracy and reliability of cost data are critically important for sound decision-making. These indicators ensure that the company is optimizing its expenditures and maximizing profits. Thus, standard cost data play an essential role in business and are a necessary element for achieving success.

The construction industry occupies a strategically important position in Uzbekistan's economy. In the first half of 2024, its output increased by over 10% compared to the same period in 2023, reaching approximately 80 trillion UZS. In 2024, the construction sector's share in the gross domestic product exceeded 6%. However, despite these achievements, the industry still faces a number of challenges that require comprehensive solutions.

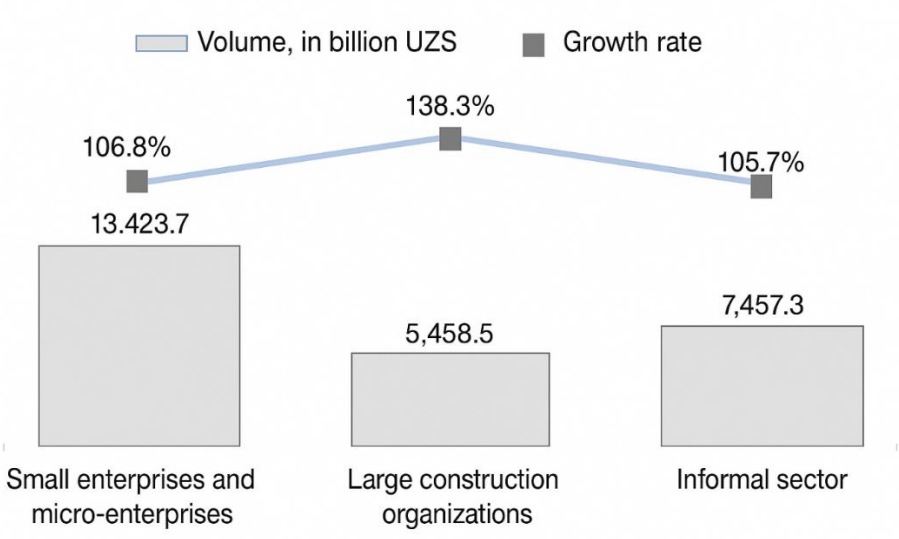
Public-private partnership (PPP) represents a legal and economic framework involving the rights and socio-economic responsibilities of all parties participating in project implementation. In total, 350 new projects worth USD 3.5 billion are planned in collaboration with entrepreneurs, with employment opportunities expected for 50,000 citizens from low-income families.

The volume of construction work completed by large construction companies in January–February 2025 amounted to 5,458.5 billion UZS. Compared to the same period in 2024, this represented 138.3%, and their share in the total volume increased by 3.9%, reaching 20.7% [3].

In the same period, small enterprises and micro-enterprises accounted for 51.0% of total construction output — 2.7% less than in 2024. The total volume of construction work performed by these entities reached 13,423.7 billion UZS, representing 106.8% compared to the previous year.

The share of construction performed in the informal sector reached 28.3%, or 7,457.3 billion UZS, corresponding to 105.7% of the figure for the same period in 2024.

In the informal sector, individual housing construction amounted to 5,677.2 billion UZS (106.7% of 2024); construction of non-residential buildings by private individuals — 915.6 billion UZS (101.0%); and individual repair work — 864.5 billion UZS (104.2%) (see Fig. 1).



According to the National Committee of Statistics, in January–March 2025, the volume of construction work in Uzbekistan exceeded 50.3 trillion UZS, showing a year-on-year increase of 10.8%. The largest share of construction activity was concentrated in the capital city — 13.7 trillion UZS. Significant construction volumes were also recorded in the Tashkent region — 6.5 trillion UZS, and the Fergana region — 3.5 trillion UZS.

The majority of building construction and related facilities was carried out by small businesses — 24.2 trillion UZS, the informal sector — 15 trillion UZS, and large construction companies — 11 trillion UZS (see Table 1).

Volume of construction work by enterprise type across regions

Table 1.

Volume, billion UZS				Growth rate, %		
Region	Large enterprises	Small enterprises and micro-enterprises	Informal sector	Large enterprises	Small enterprises and micro-enterprises	Informal sector
Republic of Uzbekistan	5 458,5	13 423,7	7 457,7	138,3	106,8	105,7
Republic of Karakalpakstan	67,7	647,6	440,4	131,2	103,0	104,3
Andijan	92,1	752,5	318,3	166,7	111,7	104,1
Bukhara	202,1	725,3	270,5	127,1	103,1	102,4
Jizzakh	41,8	314,8	296,8	201,0	108,2	102,6
Kashkadarya	327,7	647,4	598,8	135,0	103,4	100,5
Navoi	284,0	550,2	300,6	138,4	102,9	102,7
Namangan	107,1	700,0	517,9	260,7	102,6	109,4
Samarkand	171,4	1 003,1	438,8	64,6	114,3	103,4
Surkhandarya	98,0	560,1	388,7	153,4	106,1	104,6
Syrdarya	40,5	345,6	123,3	21,8	117,9	103,1
Tashkent	651,3	1 282,7	1 438,0	198,8	107,7	115,7
Fergana	293,0	859,5	444,2	152,4	106,0	102,5
Khorezm	88,0	364,6	425,1	161,4	103,6	105,8
Tashkent city	1 880,1	4 670,3	1 455,9	97,0	106,7	102,7

High growth rates of construction work carried out by large construction organizations were recorded in Namangan (260.7% compared to the same period in 2024), Jizzakh (201.0%), and Tashkent (198.8%) regions.

Significant growth in construction work performed by small enterprises and micro-enterprises during the reporting period was observed in Syrdarya (117.9%), Samarkand (114.3%), and Andijan (107.7%) regions.

The highest growth rates of construction work carried out by the informal sector during this period were recorded in Tashkent (115.7%), Namangan (109.4%), and Khorezm (105.8%) regions.

It should be noted that reducing energy consumption is an important factor in the production of construction materials, as it directly affects production costs and market competitiveness.

Although industry production has increased by 1.2 times over the past two years, targeted measures have helped reduce energy consumption by 1.3 times and energy intensity by 1.6 times.

For instance, at Kyzylkum Cement, heat exchange equipment was reconstructed, resulting in annual savings of 37 million kWh of electricity. Currently, leading international companies are actively implementing technologies to generate electricity through the reuse of thermal energy.

As a result, 34 high-energy-consuming enterprises in Uzbekistan have the potential to save 300 million kilowatt-hours of electricity per year.

As noted, the global construction industry is evolving rapidly, with new technologies and innovations being introduced into practice. However, outdated standards and approaches are still widely used in Uzbekistan.

This highlights the need for the regular updating of urban planning norms and regulations. It is essential to develop a new digitized construction monitoring system and improve the performance of the relevant inspection authorities.

Conclusions and Recommendations

Effective cost management is a key component of organizational success. It is a process that involves managing all financial resources within an organization, including expenses, investments, and revenues. Successful cost management

requires a comprehensive understanding of the organization's financial position and the ability to identify opportunities for cost savings and revenue growth.

One of the essential features of effective cost management is budgeting. Budgeting allows organizations to plan and allocate resources in a way that maximizes their efficiency and effectiveness. It provides a foundation for expenditure control and ensures that resources are directed toward the areas where they are most needed.

Cost analysis is another crucial aspect of cost management. This involves evaluating the cost of various resources such as labor, materials, and equipment, and identifying opportunities to reduce or optimize those costs. Cost analysis can help organizations pinpoint areas of overspending and take steps to reduce unnecessary expenses.

Cost reduction is also a key trait of effective cost management. This involves identifying ways to lower expenses without compromising the organization's quality or performance. Cost-reduction strategies may include renegotiating contracts, reducing overhead, and implementing new technologies or processes that enhance efficiency.

Cost control is an integral part of cost management. It involves monitoring expenditures and identifying areas where spending exceeds the allocated budget. By closely tracking expenses and taking corrective actions when necessary, organizations can ensure they remain within budget and make the most of their financial resources.

Overall, effective cost management is critical to the success of any organization. By implementing strategies that optimize resource allocation, reduce costs, and improve efficiency, organizations can enhance their financial performance, increase competitiveness, and ensure long-term sustainability. For cost management to be truly effective, expected outcomes and goals must be aligned in such a way that achievements in one area do not undermine performance in another due to increased costs [7].

References:

1. Djabriyev A.N., Iskandarov E.B. Fundamental principles of forming a system of sustainable innovative development in the construction sector. Architecture, Construction and Design. Journal No. 2, TASI, 2019.
2. Iskandarov E.B. Factors ensuring the effectiveness of innovation activities in construction based on the use of a cluster approach. Electronic Journal, TSUE, 2021.
3. OECD Statistics Database [Electronic resource]. Available at: http://seed-db.com/fcceleretors
4. Tursunzoda J., Madgoziev Kh., Manasurova G. Structural Safety Assessment of Exploited Buildings. European Journal of Life Safety and Stability (EJLSS), ISSN 2660-9630. [Online] Available at: www.ejlss.indexedresearch.org, Special Issue, 2022.
5. Tursunzoda J.I., Mirisaev A.A., Polvonov D.S., Sobirov J.F. Analysis of international experience in assessing the efficiency of BIM technologies in construction.